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# EXCHANGE

A NEWSLETTER FOR MEMBERS OF THE ONTARIO TEACHERS' PENSION PLAN

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Effective January 1, 1997

## Plan changes at a glance

### PLAN CHANGE

#### REDUCED PENSION

Lowering early retirement reduction to 2.5% per point from the 90 factor (changed from 5% per point)

#### LEAVES

Three-year suspension of the return to work requirement for a purchase of credit—must be within 5 years of retirement

#### QUALIFYING YEARS

One qualifying year for every school year in which you teach more than 10 days (changed from more than 20 days)

#### OCCASIONAL TEACHERS

Mandatory participation in the Teachers' Pension Plan for qualified occasional teachers

#### LOWER CPP REDUCTION

The CPP reduction to your teachers' pension will be lowered to .0068 from .007

#### DISABLED MEMBERS

Disabled members not receiving LTD insurance will be allowed to purchase credit without returning to work

#### RETIREMENT

Unreduced pension with 35 years of actual credit

### EXPLANATION

If you retire on a reduced pension before your 90 factor, a reduction of 2.5% per point is applied. You must be 55 or older to collect a reduced pension.  
*Note: This benefit applies to immediate pensions only. The reduction factor for deferred pensions continues to be 5% per point.*

You can take a leave of absence and purchase the credit for your time away without the 70-day return to work requirement. The leave must begin between Jan. 1/97 and Dec. 31/99.  
*Note: This change does not allow members to collect an unreduced pension sooner.*

This gives qualified occasional teachers a better opportunity to earn qualifying years of service.  
*Note: The change does not alter the number of qualifying years you accumulated prior to the 1996-97 school year.*

*Note: Qualified occasional teachers who opted out of the plan cannot purchase credit for the time they were not members.*

The CPP reduction, which is deducted from your teachers' pension when you turn 65 or on receipt of a CPP disability pension, has been lowered. This means you'll be able to keep more of your teachers' pension. For current pensions, this is a maximum of \$220 per year.  
*Note: This change does not affect the amount of your CPP pension.*

The 70-day return to work provision for the purchase of credit has been eliminated.

You can now retire with an unreduced pension at any age with 35 years of credit, even if you have not reached your 90 factor.  
*Note: Credit is the actual time you have taught or contributed to the plan.*

### THOSE AFFECTED

Teachers who are closer to their 90 factor than age 65 when they apply for their pension

Teachers who are within 5 years of their earliest unreduced retirement date

Qualified occasional teachers

Qualified occasional teachers

All members and survivors

Disabled members not receiving LTD

Teachers with 35 years of credit who started teaching before age 20



# What the plan changes will mean to you



## REDUCED PENSION

The reduction for retiring early has been cut in half to 2.5% per point from your 90 factor. (Your 90 factor is when your age and your qualifying years equal 90.) The lower reduction was effective January 1, 1997, but does not apply to deferred pensions or commuted value transfers.

Your reduced pension is calculated just like a regular retirement pension, and then reduced by the lesser of 2.5% for each point you're under your 90 factor or 5% for each year you're younger than age 65.

### Example:

Ray has his 86 factor (he's 55 with 31 qualifying years) and is four points (or two years) from his 90 factor. Ray is much closer to his 90 factor than to age 65. He has 31 years of credit and his average best-five years' salary is \$60,000. If he retires immediately, his reduced pension is \$33,480 per year indexed to inflation.

### Ray's reduced pension calculation

STEP 2% x 31 years of credit  
#1 x \$60,000 = **\$37,200**

STEP #2 This is reduced by 2.5% for every point Ray is away from his 90 factor, in this case, 4.  
2.5% x 4 = **10%**

STEP #3 **\$37,200 x 10% = \$3,720**

STEP #4 **\$37,200 - \$3,720 = \$33,480**

## The fine print

You must be 55 years or older to collect a reduced pension. You must resign from teaching and begin collecting your reduced pension the following month to benefit from the 2.5%.

The lower early retirement reduction does *not* apply to deferred pensions or to commuted value transfers. (Commutted value transfers are only available if you cease employment before the month you either turn 55 or qualify for an unreduced pension.)

## TIP...

To estimate  
**YOUR** reduced  
pension,

simply take your credit, average best-five years' salary and the number of points you are away from the 90 factor and follow the four steps in the example featuring Ray.



## BUY LEAVES WITHOUT RETURN TO WORK

You can now take an employer-approved leave of absence and purchase the credit without the usual 70-day return to work requirement. To be eligible you must be within five years of your earliest unreduced retirement date (90 factor, 35 years

of actual credit or age 65). This benefit covers leaves starting between January 1, 1997 and December 31, 1999. However, this does not cover x/y or deferred salary leaves.

### Example:

Elizabeth is 55 and will have her 90 factor in June 1998. She decides to work only one semester during her final year and obtains permission from her school board to do so. She'll earn half her current salary, but will be able to contribute to her pension as if she were employed full time. She also does not have to return to work full time to be eligible to purchase the credit.

### Current year

full-time salary: \$ 60,000  
pension contribution: \$ 4,940

### Next year

half-year salary: \$ 30,000  
pension contribution: \$ 2,470  
purchase of credit: \$ 2,470

If Elizabeth had chosen to take the full year off, she would not earn any income from teaching, but would be able to complete the purchase for the year's credit without returning to work full time.

## The fine print

You must pay for your purchase of credit during your leave of absence.

There may be limits on the number of years you'll be eligible to purchase. Generally, you can buy a total of five years for post-1990 service, excluding pregnancy and parental leaves.

A leave of absence at the end of your career may not be included in your average best-five years' salary if you plan to retire in the middle of a school year. Contact us for details.

## **CHANGE**

### QUALIFYING YEAR OF SERVICE FOR 10 DAYS TEACHING

Starting January 1, 1997, you earn one qualifying year of service for every school year in which you teach more than 10 days. The old rule (since September 1, 1990) was more than 20 days.

Your qualifying years represent the length of your teaching career and are used to determine when you're eligible to retire at your 90 factor.

If you last taught in the fall of 1996 for less than 21 days, you will have to return to teaching before the end of the 96/97 school year in order for the new rule to apply to your 96/97 school year.

### Note:

With the exception of the lower CPP reduction and purchase of credit by disabled teachers, you must have taught since January 1, 1997 to take advantage of these benefits.

## **CHANGE**

### QUALIFIED OCCASIONAL TEACHERS

#### NOW PART OF PLAN

It is mandatory for all qualified occasional teachers to participate in the Teachers' Pension Plan. Prior to this benefit change, qualified occasional teachers with service since 1990 had the option to belong, but it was mandatory for teachers with service before 1990.

## **CHANGE**

**The fine print**  
Qualified occasional teachers who previously opted out of the plan cannot purchase credit for the time they were not members.

## **CHANGE**

### LOWER CPP REDUCTION

The CPP reduction, which is deducted from your teachers pension when you turn 65 or start a CPP disability pension, has been lowered. This means you'll be able to keep more of your teachers pension—the maximum amount for current pensions is about \$220 more per year. Your CPP pension is not affected by this change.

## **CHANGE**

### DISABLED TEACHERS CAN BUY CREDIT WITHOUT RETURN TO WORK

If you're disabled and are not receiving long-term disability (LTD) insurance, you can purchase credit for your time away from teaching without returning to work. The old rules required you to return to work for at least 70 days to qualify for the purchase.

## **CHANGE**

### The fine print

There may be limits on the number of years you will be eligible to purchase. Generally, you can buy a total of five years for post-1990 service, excluding pregnancy and parental leaves.

## **CHANGE**

### RETIREMENT AFTER 35 YEARS

You can collect an unreduced pension at any age with 35 years of actual credit—even if you've not yet reached your 90 factor. This affects members who began teaching before age 20 and would otherwise have to work more than 35 years to reach their 90 factor.

### Example:

Vera began teaching when she was 18. She has accumulated a full 35 years of credit and at 53 she can now retire with an unreduced pension, even though she is still a year from her 90 factor.

## **CHANGE**

**The fine print**  
This is 35 years of actual credit and not qualifying years.

*and*

### RATE STABILIZATION FUND

The contribution rate stabilization fund will be used to help provide a cushion against potential increased liabilities.

The benefits awarded by the Board of Arbitration on December 30, 1996, will be paid for from the actuarial gains in the plan. The Board of Arbitration created a rate stabilization fund for any gains not needed to fund the benefit changes.

## TAKE CHANGE INFO WITH CAUTION

The information on plan changes is our understanding of the recent award by the Board of Arbitration in resolving the negotiation of pension plan changes between the Ontario Teachers' Federation and the Minister of Education and Training. Your rights and entitlements as members of the plan are and will be governed by the language of the plan text. The information pertaining to plan changes is not intended as advice to be relied upon in relation to any particular circumstance.



## Did you know?

Number of pensioners  
53,025

Number of teachers  
155,000

Number of teachers  
who went on pension  
in 1996: 5,008  
in 1995: 3,879

Average age of a teacher who  
retired in 1996: 57.6

## New appointments to the board of directors

An accomplished writer and a senior human resources executive are the newest appointments by the Ontario Teachers' Federation to the Board of Directors.

Ann Finlayson is a writer, speaker, freelance editor and consultant. Her areas of expertise include pensions, education, workplace change, investments and retirement planning. *Ann Finlayson*



Finlayson is the author of three books, including the best-seller, *Whose Money is it Anyway? The Showdown on Pensions* (1988).

Finlayson has written more than 200 articles for *Maclean's Magazine*, where she was a staff writer, researcher and reporter for 10 years. Her byline has appeared in such publications as *Education Forum*, *Report on Business Magazine*, *The Financial Times*, *The Globe and Mail* and *The Observer*.

Lucy G. Greene is Vice-president of Human Resources with Sun Life Assurance Company of Canada.

Greene is responsible for, among other things, reviewing and revising the governance of Sun Life pension plans. She

reviews proposed changes to plans, actuarial valuations and investment performance. She also serves as a Trustee of the Sun Life Pension Plans in Canada, the United States and the United Kingdom.

The new appointments became necessary when Doug McAndless, a retired teacher, and Lynne Sullivan, human resources consultant, retired at the end of 1996.

Directors are appointed for a two-year term and can serve a maximum of four terms. The Board is responsible for administering the plan and investing its assets. The day-to-day management of the fund is delegated to Claude Lamoureux, President and CEO,

and his staff.

The board meets about 10 times a year. Directors act independently of the pension

*Lucy G. Greene* plan's sponsors, the OTF and the Ontario government, to protect the interest of all plan members.

Finlayson and Greene join C. Edward Medland, Chair of the Board, and the other directors: Jalynn Bennett, Geoffrey Clarkson, Gail Cook-Bennett, Martin R. Hicks, Robert Korthals and David Lennox.



# Q&A

## SOME OFTEN ASKED QUESTIONS

If I stop teaching and wait several months before I begin my pension, will the early retirement reduction of 2.5% per point from the 90 factor be applied?

The lower early retirement reduction does *not* apply to a deferred pension. If you stop teaching and wait to start your pension, the 5%-per-point reduction would apply.



## THE PROCESS OF CHANGING THE PLAN

Under the terms of the Partnership Agreement (1992), the OTF and the Ontario government can negotiate changes to pension benefits every three years. Negotiations began early last year and moved through an agreed process to mediation and then to arbitration.

The Board of Arbitration,

**WILL THE EARLY RETIREMENT REDUCTION of 2.5% per point from my 90 factor affect my retirement date?**

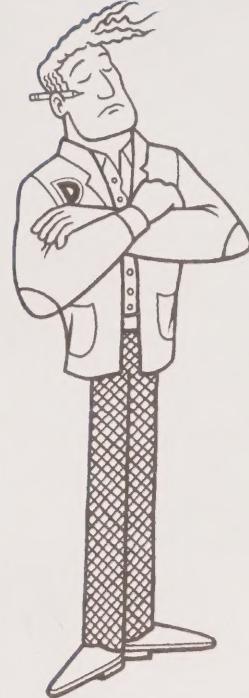
The lower early retirement reduction does not allow you to retire sooner with an unreduced pension. It may, however, make retiring earlier with a reduced pension financially feasible.

**WILL THE CHANGE TO ONE QUALIFYING YEAR for every school year in which I teach more than 10 days still mean my salary will be annualized?**

Yes. If you teach more than 10 days during any of your best-five years, we will use your full rate of pay. ☐

which was made up of a representative from each side and a jointly appointed umpire, heard arguments early in December and presented its award on December 30, 1996.

OTF and the government agreed to use the actuarial gains in the plan to improve benefits. The actuarial gain is the difference between expected future costs of the plan based on the valuation at January 1, 1993 and the actual performance of the plan as of January 1, 1996. ☐



## DUDLEY DOOMSAWER

“ What's the big deal. The recent plan changes won't let teachers retire sooner. ”

### CONSIDER THIS:

- The lower early retirement reduction makes it financially feasible for more teachers to retire with a reduced pension. For instance, consider the example of Ray's reduced pension on page 2. His reduced pension is \$33,480; under the old rules Ray would have received \$29,760. The lower early retirement reduction may make it feasible for Ray to retire sooner.
- The three-year suspension of the return to work requirement for a purchase of credit may also help more teachers leave teaching sooner. Eligible teachers can stop teaching and purchase their leave without returning to work.

## IF YOU NEED TO CALL, PLEASE BE PATIENT

Since the changes to the plan were announced in early January, our customer service specialists have been inundated with telephone calls. We're working quickly, but implementing the recent changes to the plan will take time.

Here are some tips to help you get the information you need.

- This special issue of Exchange has been prepared to answer the most common questions. Please read it carefully. You may find your answers here and save



Sharon is one of 37 customer service specialists trained to assist you.

- yourself a telephone call.
- For an estimate of your reduced pension using the early retirement reduction of 2.5% per point, follow the example on page 2 and substitute your credit, average best-five years' salary and the number of points you are away from the 90 factor.
- If you want to take a leave of absence, contact your employer.
- If you want to retire immediately,

telephone us.

- If you want to retire later this year, telephone us about three months before you want to retire.

Thank you for your cooperation and understanding. ☺

**EXCHANGE**  
is a publication prepared by the Ontario Teachers' Pension Plan Board. We welcome your comments and suggestions.

Feel free to call John Cappelletti at (416) 730-5351 or 1-800-668-0105, or fax at (416) 730-5346 or write to:

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**Ontario Teachers'**  
**Pension Plan Board**  
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**North York, Ontario M2M 4H5**

### OFFICE HOURS

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(416) 226-2700 or 1-800-668-0105

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